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United States Senate

WASHINGTON, DC 20510

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COMMITTEES:
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The Honorable Arne Duncan
Secretary
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Mr. Secretary:

On Monday, October 26, you sent a letter to thousands of colleges and universities urging them to ensure that their institution is direct loan-ready for the 2010-2011 academic year. You gave many reasons for this action, including President Obama's proposal to move to a 100 percent Direct Loan delivery system. As a strong supporter of competition, I am disappointed in your actions to encourage this conversion when legislation has not yet become law. In fact, the Senate committee of jurisdiction has not even acted on such a proposal, much less the full Senate or a relevant conference committee.

Nebraska students and their families benefit from competition among student loan providers. That is why I strongly believe in the availability of private student loans and why Congress should make these decisions, not the Administration. The Administration's budget request to eliminate the Federal Family Education Loan (FFEL) Program would make the federal government, instead of private and non-profit lenders, the originator of all federal student loans. I emphasize that it was a request. Simply proposing sweeping change does not make it so, and many of my colleagues and I have a number of concerns about this significant policy reversal.

Eradicating the FFEL Program would increase the annual direct loan volume from \$15 billion to \$65 billion. The Department of Education should first determine whether it can effectively handle quadrupling its loan services before encouraging public and private universities to change their financial aid practices. Students would suffer if the department is ill-prepared for such a dramatic shift. After all, the FFEL Program's public-private partnership has provided more than 60 million Americans with affordable college loans.

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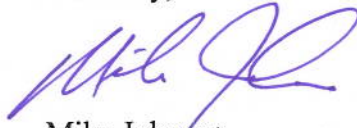
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I also strongly believe the federal government should not engage in a hostile takeover of the student loan business to gain sole control over the distribution of all student loans. The FFEL Program is preferred by three-fourths of colleges and universities over direct government lending. Colleges and universities should not prematurely be instructed to change their financial aid system unless legislation is enacted.

Since the Administration proposed nationalizing the student loan industry, the idea has only generated bipartisan concern, not consensus. The legislative process is far from complete, and the notification to universities and colleges was premature. I respectfully request that you expeditiously follow-up with these institutions to retract your previous letter and that you share this corrective correspondence with Congress.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Johanns", with a stylized flourish at the end.

Mike Johanns
U.S. Senator